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KEY HIGHLIGHTS

Update

Energy Absolute (EA TB/BUY/Bt46.75/Target: Bt73.00)

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Expect EV ecosystem to drive revenue growth in 2024; EV trucks playing a vital role

KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,387.69	(13.73)	(0.98)
SET50	857.90	(8.46)	(0.98)
Value (Btm) - SET	47,484		
Top 5 Sector			
BANK	371.86	(2.57)	(0.69)
PETRO	725.41	(3.44)	(0.47)
PROP	226.05	(1.72)	(0.76)
ENERG	20,883.70	78.86	0.38
ICT	150.85	(0.07)	(0.05)

Source: Bloomberg

TOP VOLUME

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
AOT	59.00	(2.48)	5,890.8
CPALL	51.75	(5.48)	1,852.4
PTTEP	153.00	(0.33)	1,454.8
DELTA	77.00	(5.81)	781.9
GPSC	47.75	3.80	657.3

TOP GAINERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
JCKH	0.04	33.33	0.9
EMC	0.09	12.50	0.2
TFI	0.09	12.50	0.0
GJS	0.23	9.52	1.4
SRS	12.10	8.04	20.9

TOP LOSERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
CIG	0.11	(15.38)	16.4
ASN	1.98	(11.61)	0.0
TAN	13.70	(8.05)	38.6
QLT	2.92	(7.59)	18.4
ESTAR	0.25	(7.41)	0.7

*ADT: Average daily turnover

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	83.1	(6.8)	(1.0)	2.4
Dubai crude*	82.9	(8.6)	(3.4)	5.4
Baltic Dry Index	2,391.0	63.9	120.2	57.8
Gold Spot***	2,046.0	3.1	5.5	12.2

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(95.4)	(443.0)	(5,400.4)	(11,369.9)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 34.81

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%) - MLR = 7.10

COMPANY UPDATE

Energy Absolute (EA TB)

Expect EV Ecosystem To Drive Revenue Growth In 2024; EV Trucks Playing A Vital Role

EA's revenue is expected to continue growing in 2024. EV trucks would become a key driver following the delivery of buses to TSB in full. We are still optimistic about the battery & EV segment's revenue growth, which is expected to offset decreases in subsidies from the renewable power business by 2025. Transparency concerns would gradually unwind in 2024. Maintain BUY. Target price: Bt73.00.

WHAT'S NEW

- **Expect revenue in 2024 to be driven by the battery & EV business.** Management expects revenue to grow about 20% in 2024, although the company will see a decrease in subsidies for adders in the renewable power business. The yoy revenue growth would be mainly driven by the battery & EV business, with expected higher EV deliveries. In addition, other businesses (such as the EV charging station business and waste management services) are expected to see improvements, which would increase recurring income.
- **Capex of Bt14b for 2024; focusing on the EV ecosystem.** Energy Absolute (EA) has set capex at Bt14b for 2024, up from Bt11b in 2023. Management plans to invest 62% of its total capex in the EV ecosystem, 25% in the wind power business, and 11% in waste management services. Although EA has continued to invest in business expansion, its debt structure is manageable, with a leverage ratio (Net IBD/E) of 1.29x, compared to its financial covenant of 3.5x.
- **EV trucks to play a vital role from 2024 onwards.** As of end-3Q23, EA had an EV bus backlog of about 1,000 vehicles from Thai Smile Bus (TSB), which are expected to be fully delivered by 1Q24. In 2024, EA's revenue from selling EVs is expected to come from more EV trucks. EV trucks will play a vital role from 2024 onwards due to the bigger market size of about 76,000 units/year. Management estimates an increase in EV deliveries to 3,300 vehicles in 2024, compared with 2,600-2,700 vehicles in 2023. Meanwhile, EA continues to penetrate other EV bus markets (buses for tourists, corporate employees, and school bus segments).

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	20,173.8	25,354.6	31,786.6	34,109.6	42,058.1
EBITDA	9,611.1	10,181.4	13,358.7	13,602.1	14,873.9
Operating profit	6,843.1	6,533.7	9,848.7	9,785.8	10,822.6
Net profit (rep./act.)	6,100.1	7,604.3	8,065.4	7,762.8	8,790.3
Net profit (adj.)	5,718.4	5,659.6	7,339.2	7,242.8	8,270.3
EPS (Bt)	1.5	1.5	2.0	1.9	2.2
PE (x)	30.5	30.8	23.8	24.1	21.1
P/B (x)	5.4	4.5	3.8	3.3	2.9
EV/EBITDA (x)	24.7	23.3	17.8	17.5	16.0
Dividend yield (%)	0.6	0.6	0.6	0.6	0.6
Net margin (%)	30.2	30.0	25.4	22.8	20.9
Net debt/(cash) to equity (%)	129.3	127.0	132.4	125.9	106.1
Interest cover (x)	6.9	7.2	6.0	6.3	7.1
Consensus net profit	-	-	8,460	8,579	9,120
UOBKH/Consensus (x)	-	-	0.87	0.84	0.91

Source: Energy Absolute, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt46.75
Target Price	Bt73.00
Upside	+56.1%
(Previous TP)	Bt81.00

COMPANY DESCRIPTION

EA and its subsidiaries operate three businesses: a) biodiesel, b) renewable power plants, and c) battery and electric vehicles.

STOCK DATA

GICS sector	Utilities
Bloomberg ticker:	EA TB
Shares issued (m):	3,728.2
Market cap (Btm):	174,293.4
Market cap (US\$m):	4,990.4
3-mth avg daily t'over (US\$m):	22.0

Price Performance (%)

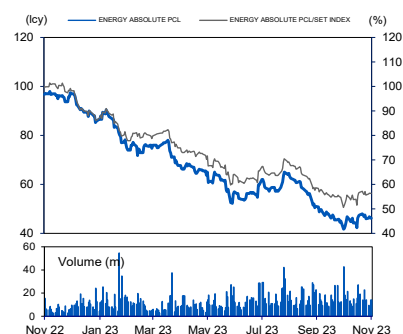
52-week high/low	Bt98.00/Bt41.75			
1mth	3mth	6mth	1yr	YTD
3.9	(27.2)	(28.6)	(50.8)	(51.8)

Major Shareholders

	%
SPBL HOLDING	25.1
UBS AG SINGAPORE BRANCH	24.6
Thai NVDR Company Limited	9.5

FY23 NAV/Share (Bt)	12.32
FY23 Net Debt/Share (Bt)	16.31

PRICE CHART



Source: Bloomberg

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• **Expansion plan for battery factory remains on track.** The expansion plan for its 2GWh battery factory remains on track, with the factory expected to start operation in 1Q24. Meanwhile, EA is monitoring the market closely before it commences plans for the next expansion to 4GWh. According to MOUs signed in Jul 23, EA is still in the process of testing batteries produced by leading Chinese battery companies (EVE Energy and Sunwoda Mobility Energy Technology). The JV signing is expected to be finalised in 1Q24, which should increase its battery manufacturing capacity by 6GWh.

STOCK IMPACT

• **Share repurchase programme.** EA announced a share repurchase programme, with total amount not exceeding Bt3.0b, and the number of shares not exceeding 58m, which is equivalent to 1.55% of the shares sold. The repurchase period started on 17 Nov 23 and will end on 17 Feb 24. We believe this would be positive to EA's share price as return on equity and earnings per share will increase.

• **Concerns are gradually unwinding.** Concerns about trading within affiliated companies are gradually unwinding. Increased accounts receivable and inventory are expected to improve in 2024. We expect operating cash flow to continue improving, especially in 1Q24, due to the full delivery of buses to TSB, along with a reduction in financial support for TSB.

EARNINGS REVISION

(Btm)	2023F			2024F			2025F		
	New	Old	Change	New	Old	Change	New	Old	Change
Gross revenue	31,787	34,872	-8.8%	34,110	40,436	-15.6%	42,058	44,145	-4.7%
Gross profit	11,290	12,201	-7.5%	11,213	12,455	-10.0%	12,309	12,518	-1.7%
Operating profit	9,849	10,632	-7.4%	9,786	10,757	-9.0%	10,823	10,796	0.2%
Net profit	8,065	9,152	-11.9%	7,763	9,336	-16.8%	8,790	9,436	-6.8%
Percent	New	Old	Change	New	Old	Change	New	Old	Change
Gross margin	35.5%	35.0%	0.5%	32.9%	30.8%	2.1%	29.3%	28.4%	0.9%
SG&A to sales	4.5%	4.5%	0.0%	4.2%	4.2%	0.0%	3.5%	3.9%	-0.4%
Net margin	25.3%	25.7%	-0.4%	22.9%	22.6%	0.3%	21.0%	20.9%	0.1%

Source: UOB Kay Hian

EARNINGS REVISION/RISK

- We decrease our earnings forecasts for 2023-25 by 7-17% to reflect our more conservative assumptions on ASPs of renewable power and EVs.
- Downside risk: a) delayed EV deliveries, b) lower-than-expected performance in the renewable power business, and c) lower-than-expected income from the biodiesel business and other businesses.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of Bt73.00.** The changes in our assumptions have resulted in a lower target price. We value EA's renewable power plant business at Bt41.00/share, based on DCF. The cash flow is discounted to 2024. We value the biodiesel business at Bt1.00/share, assuming 20x 2024F PE. In addition, the battery & EV business is valued at Bt31.00/share.
- In 2024, earnings growth will be pressured by a decrease in government subsidies for the renewable power business. However, we are still optimistic about the battery & EV segment's revenue growth, which is expected to offset the declines in subsidy. EA's share is trading as an undemanding valuation of 24x 2024F PE. The gradual unwinding of concerns should be favourable to EA's share price.

SHARE PRICE CATALYST

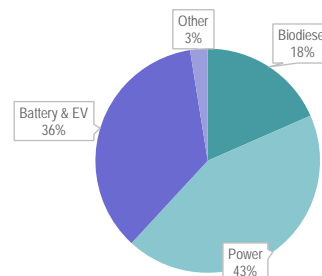
- Higher-than-expected EV deliveries.

MANAGEMENT TARGET IN 2024



Source: EA

REVENUE CONTRIBUTION IN 3Q23



Source: EA, UOB Kay Hian

VARIOUS TYPES OF EV TRUCKS



Source: EA

COMPETITIVE EV TRUCK



Source: EA

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	25,355	31,787	34,110	42,058
EBITDA	10,181	13,359	13,602	14,874
Deprec. & amort.	3,648	3,510	3,816	4,051
EBIT	6,534	9,849	9,786	10,823
Total other non-operating income	2,192	1,347	500	500
Associate contributions	218	142	150	150
Net interest income/(expense)	(1,413)	(2,235)	(2,155)	(2,101)
Pre-tax profit	7,552	8,521	8,281	9,371
Tax	(145)	(483)	(468)	(531)
Minorities	198	27	(50)	(50)
Net profit	7,604	8,065	7,763	8,790
Net profit (adj.)	5,660	7,339	7,243	8,270

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	4,176	6,579	11,770	8,872
Pre-tax profit	7,552	8,521	8,281	9,371
Tax	(145)	(483)	(468)	(531)
Deprec. & amort.	3,648	3,510	3,816	4,051
Working capital changes	(2,898)	(7,699)	290	(3,511)
Non-cash items	(3,980)	2,729	(149)	(509)
Other operating cashflows	(1)	0	0	0
Investing	(10,362)	(16,958)	(16,030)	(5,447)
Capex (growth)	916	(8,038)	(5,000)	(5,000)
Investments	(7,316)	(5,061)	(10,514)	1,985
Others	(3,962)	(3,859)	(516)	(2,432)
Financing	6,465	18,776	(3,737)	(2,850)
Dividend payments	(1,118)	(1,119)	(1,119)	(1,119)
Issue of shares	0	0	0	0
Proceeds from borrowings	7,668	19,818	(2,618)	(1,731)
Others/interest paid	(85)	77	0	0
Net cash inflow (outflow)	279	8,397	(7,997)	575
Beginning cash & cash equivalent	2,944	3,223	11,620	3,623
Ending cash & cash equivalent	3,223	11,620	3,623	4,197

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	59,899	64,427	65,611	66,559
Other LT assets	20,938	29,796	41,084	41,746
Cash/ST investment	3,223	11,620	3,623	4,197
Other current assets	19,305	20,558	22,060	27,201
Total assets	103,364	126,401	132,377	139,704
ST debt	19,592	28,147	23,260	27,788
Other current liabilities	6,883	3,166	4,809	5,930
LT debt	33,052	44,315	46,584	40,325
Other LT liabilities	2,533	2,471	2,729	2,944
Shareholders' equity	38,929	45,953	52,597	60,268
Minority interest	2,375	2,349	2,399	2,449
Total liabilities & equity	103,364	126,401	132,377	139,704

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	40.2	42.0	39.9	35.4
Pre-tax margin	29.8	26.8	24.3	22.3
Net margin	30.0	25.4	22.8	20.9
Net profit (adj.)	(1.0)	29.7	(1.3)	14.2
Leverage				
Debt to total capital	56.0	60.0	55.9	52.1
Debt to equity	135.2	157.7	132.8	113.0
Net debt/(cash) to equity	127.0	132.4	125.9	106.1
Interest cover (x)	7.2	6.0	6.3	7.1

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